



# NEWSLETTER AUGUST 2017

**PFA**  
INVESTMENT FUND

Performance & NAV	<b>AA</b>	<b>A</b>	<b>B</b>
Monthly return	<b>0.33%</b>	<b>0.33%</b>	<b>0.23%</b>
Return year-to-date	<b>6.39%</b>	<b>6.39%</b>	<b>5.35%</b>
NAV per share	<b>310.15</b>	<b>152.85</b>	<b>140.45</b>

*All statistics, unless otherwise stated, are for the AA share class.*

## MARKET UPDATE AUGUST 2017

PFA Investment Fund - Midgard Fixed Income Fund returned 0.33 % in August, bringing total YTD return to 6.39 %.

Last month of the summer started with true risk off sentiment as tensions between North Korea and U.S. intensified, with both sides on high alert. US President Trump promised “fire and fury” if North Korea kept threatening the U.S. and North Korea, not surprisingly, pushed back calling Trump’s comments “a load of nonsense” and said “only absolute force can work on him.”

North Korea continued by test firing missiles and threatening close by allies of the U.S. (even the U.S. military base at Guam was mentioned as a target).

10Y German bonds responded by, throughout the month, dropping from 0,56% and ending the month at 0,37% and the U.S. like dropped from 2,30% to 2,12%.

Especially Sweden proved to be resilient to the risk off move as key financial figures kept ticking in better than expected. Mid-month CPI turned out much better than previous months and sent Swedish yields up outright but also relative to EURO as the expectations for the Riksbank to be behind the curve on higher rates and withdrawal of their QE program. The short end of the yield curve lost some 12bp to EURO only to retract slightly and stabilize at the end of August.

As outright yields became more interesting and liquidity continued to be in the driver’s seat, covered bonds in the 5 Year segment performed versus interest rate swaps and flattened the curve. It seems as if potential events as new capital requirements for Swedish pension funds punitive to covered bonds relative to other assets as well as the Year End Resolution Fee was of no fear – expectations are that these have already been priced into the market.

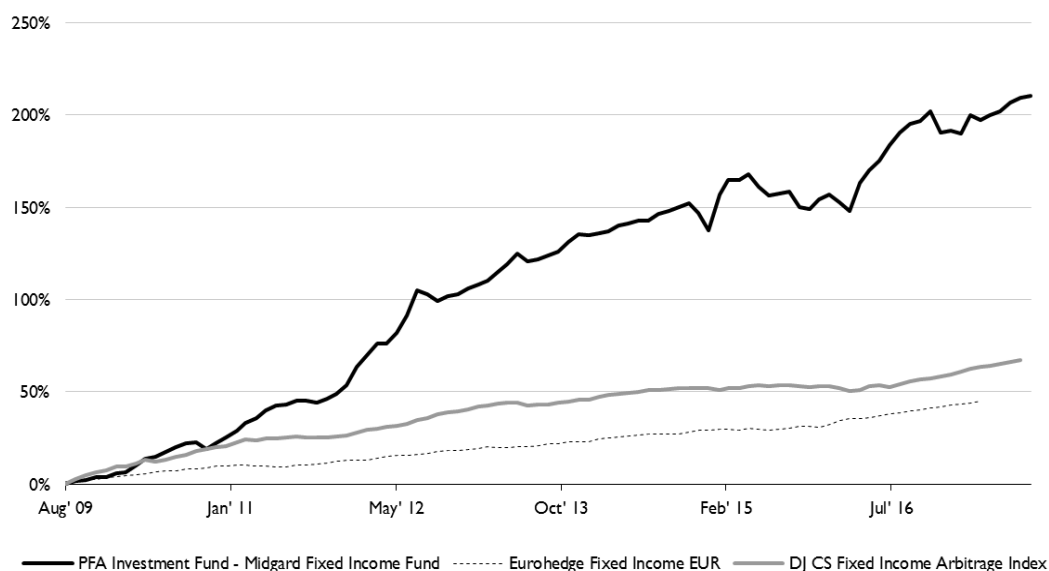
The latter part of August the Danish financial market entered the stage – with the opposite moves of those from the neighboring country Sweden. The entire interest rate swap curve performed versus peers as the daily fixings began to drop and the appetite for Danish assets started to reignite. This we have seen several times before but this time around it was evident that the interest to a large degree was domestic and focused on the longer end of the curve.



Jesper Slemming  
Chief Investment Officer, PFA Investment Fund

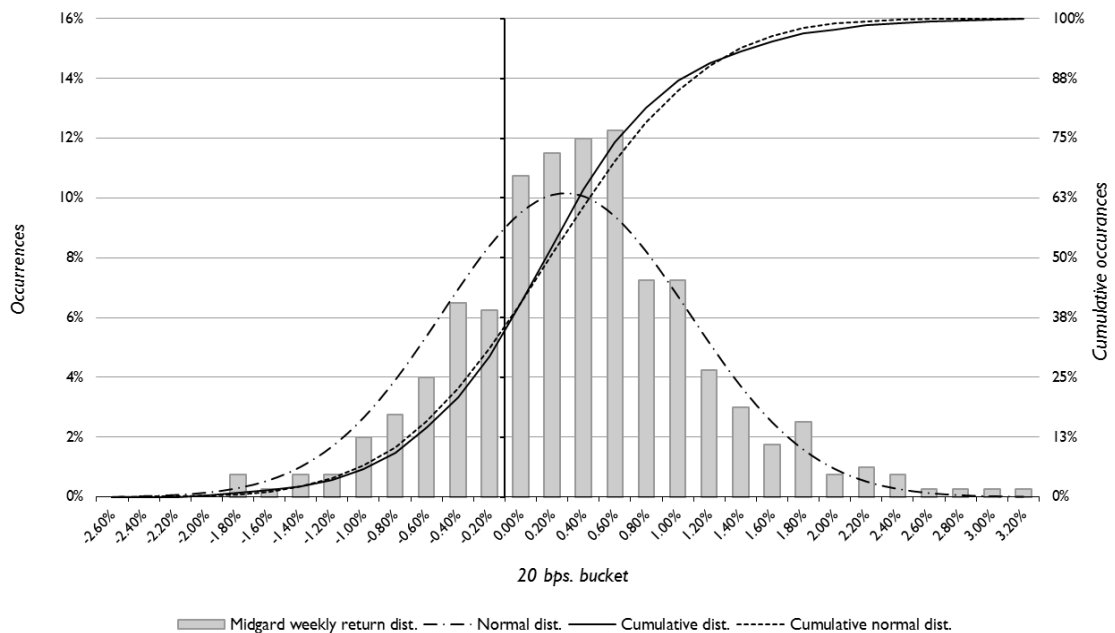
**HISTORICAL PERFORMANCE**

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YoY
2009									1.66%	0.59%	1.32%	0.39%	4.01%
2010	1.98%	0.44%	3.23%	3.34%	0.91%	2.32%	2.16%	2.03%	0.31%	-2.98%	2.80%	2.56%	20.67%
2011	2.71%	3.40%	1.65%	3.32%	1.74%	0.30%	1.49%	0.18%	-0.75%	1.31%	1.77%	3.45%	22.50%
2012	6.20%	4.03%	3.56%	-0.01%	3.43%	5.25%	6.97%	-1.07%	-1.82%	1.47%	0.50%	1.54%	34.00%
2013	0.91%	1.01%	2.41%	1.81%	2.70%	-1.82%	0.36%	0.89%	1.14%	2.24%	1.71%	-0.16%	13.95%
2014	0.51%	0.41%	1.29%	0.42%	0.64%	-0.05%	1.57%	0.62%	0.83%	0.88%	-2.06%	-3.82%	1.11%
2015	8.18%	3.01%	0.07%	1.26%	-2.69%	-1.74%	0.37%	0.53%	-3.37%	-0.28%	1.92%	1.18%	8.27%
2016	-1.67%	-1.86%	5.99%	2.64%	1.94%	3.09%	2.39%	1.63%	0.61%	1.62%	-3.75%	0.41%	13.42%
2017	-0.62%	3.53%	-0.84%	0.82%	0.74%	1.45%	0.87%	0.33%					6.39%



Return	PFA Investment Fund - Midgard Fixed Income Fund	EuroHedge Fixed Income Arbitrage Index	DJ CS Fixed Income Arbitrage Index
Annualized	15.20%	4.83%	6.72%
Last 12 months	5.12%	6.48%	8.43%
Last 3 months	2.68%	1.59%	2.12%
Since inception	210.15%	44.11%	67.36%
Best month	8.18%	1.51%	2.77%
Worst month	-3.82%	-0.58%	-1.14%
Positive months	80.21%	86.17%	83.16%
Negative months	19.79%	13.83%	16.84%
Volatility	7.26%	1.43%	2.30%
Sharpe Ratio	2.06	3.21	2.82

RETURN DISTRIBUTION



Moments	PFA Investment Fund -	EuroHedge Fixed Income	DJ CS Fixed Income
	Midgard Fixed Income Fund	Arbitrage Index	Arbitrage Index
Return	15.20%	4.83%	6.72%
Standard deviation	7.26%	1.43%	2.30%
Kurtosis	1.57	0.53	1.10
Skewness	0.32	-0.16	0.20

Correlation analysis	PFA Investment Fund -	EuroHedge Fixed Income	DJ CS Fixed Income
	Midgard Fixed Income Fund	Arbitrage Index	Arbitrage Index
Correlation coefficient	-	49.71%	26.78%
Beta	-	253.98%	84.73%
Alpha	-	2.29%	9.05%
R2	-	24.71%	7.17%
Autocorrelation	19.45%	3.95%	36.80%

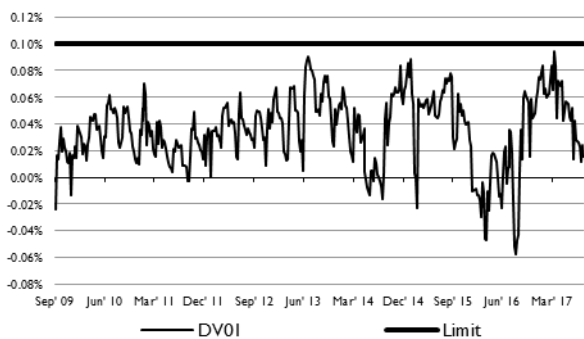
### RISK & LINE LIMITS

#### GEARING BONDS DURATION > 2Y

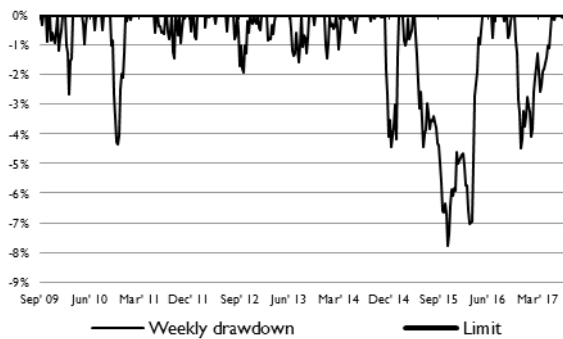


Risk	Midgard	Lime/limit
DV01	0.02%	± 0.10%
Leverage	1.64	Max. 10
VaR	0.35%	Max. 2 %
FX exposure	57.12%	Max. 100 %

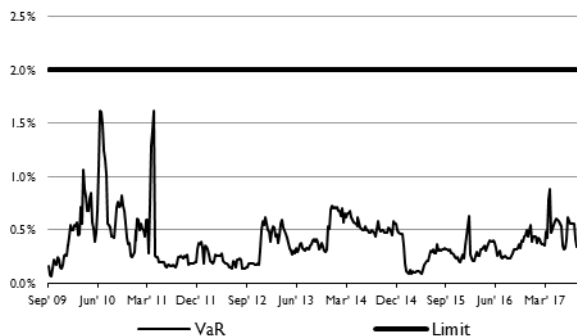
#### DV01



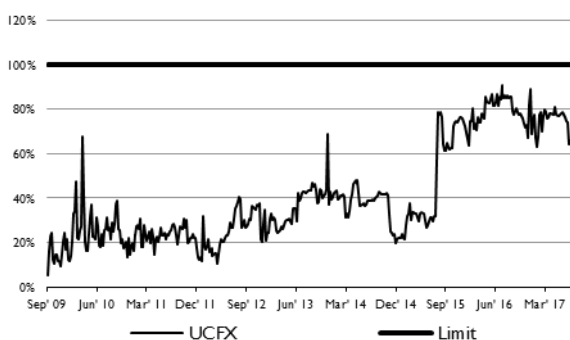
#### WEEKLY DRAWDOWN



#### VaR



#### NON-COVERED FX EXPOSURE



RISK FIGURES

Risk Figure	Weekly data		Note
	Since inception	1Y	
<i>Period</i>			
Portfolio return ( $r_p$ )	15.20%	5.12%	
Excess return ( $r_p - r_f$ )	15.02%	5.49%	
<i>36 month</i>			
Portfolio return ( $r_p$ )	7.77%	-	
Excess return ( $r_p - r_f$ )	8.02%	-	
Maximum drawdown since inception	7.78%	4.48%	
Maximum drawdown 36m	7.78%	-	*
Largest individual drawdown			
First	1.86%	1.57%	
Second	1.85%	1.20%	
Third	1.57%	0.87%	
Average	1.76%	1.21%	
Calmar Ratio	1.03	-	*
MAR Ratio	1.93	1.23	
Sterling ratio	8.54	4.22	
Downside risk	0.67%	1.57%	
Upside risk	1.14%	1.54%	
Loss standard deviation	6.22%	5.34%	
Gain standard deviation	5.08%	3.34%	
Mean absolute moment, downside	-25.00%	-27.78%	
Mean absolute moment, upside	35.76%	21.95%	
Omega ratio	1.69	0.98	
Volatility skewness	0.67	0.39	

\* Not applicable for 1-year returns

# PFA

INVESTMENT FUND

Strategy AUM	EUR 552.589 million
Listing	Irish Stock Exchange
ISIN	LU1439934933
Bloomberg ID	MIDGFXI LX Equity
Investment Manager	PFA Asset Management Sundkrogsgade 4 2100 Copenhagen Denmark +45 39 17 50 00 <a href="http://www.pfaassetmanagement.dk">www.pfaassetmanagement.dk</a>
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